Financial Plan Update

April 2021
Why we are here

No action requested today; information only

- Long-Range Financial Plan projections
- Updated affordability gap projections
Executive Summary

Program remains unaffordable without realignment, updated affordability gap projected at $7.9B, down from $11.5B, mainly due to:

- $4.6B increase in projected tax revenue through 2041, uncertainty remains high (long term revenue loss projected at $1.5B)
- $527M increase in American Rescue grants
- $595M higher projected capital cost mainly due to updated capital cost inflation, project cashflow, and infill stations cost estimates
Key Takeaway

Updated affordability gap projected at $7.9B, down from $11.5B, program remains unaffordable without realignment
Major Changes in Plan Assumptions

Jan 2021 vs April 2021
Change 2017-2041

- Jan 2021 Funding Gap: $11.5 billion
- Tax Revenue: -$4.6 billion
- Grant Revenue: -$0.5 billion
- Capital Ex: $0.6 billion
- Other: $0.9 billion
- April 2021 Funding Gap: $7.9 billion
Affordability gap narrower; Program Remains Unaffordable

Affordability Gap Comparison
$11.5B vs $7.9B

$11.5B Affordability Gap - Principal
$7.9B Affordability Gap - Principal
Available Debt Capacity
Tax Revenues

$4.6B increase in projected tax revenue through 2041, uncertainty remains high (long term revenue loss projected at $1.5B)
Improved tax revenue outlook

• Additional Stimulus Funding - Dec 2020 & March 2021 stimulus.

• Vaccine availability/economic reopening moved forward from mid-2022 to mid-2021.

• 5 additional months of actual tax collection data since fall 2020 update.

• Latest national and regional economic indicators.
$1.5B projected long term tax revenue loss

- Tax revenue loss projection improved by $4.6B (from Fall 2020 forecast of $6.1B, to $1.5B).

- Revenue trend is consistent with what is being forecasted by the State and other local jurisdictions.

- Long term forecast still below pre-COVID levels, uncertainty remains.
Grants

$527M increase in assumed American Rescue grants
Update on Additional Revenue Pursuit

April 2021 Federal Grant Updates

• $527M American Rescue Plan funding
  • $275M formula
  • $253M for Federal Way and Lynnwood Extensions

State Grant Updates

• No new revenue from State
Capital Costs

$595M higher projected capital cost mainly due to updated capital cost inflation, project cashflow, and infill stations cost estimates
Inflation and Project Cashflow Update main driver for Capital Cost forecast Changes

- $1.2B increase from updated inflation adjustment – +$1.2B
  - Construction Cost Index: +$1.03B
  - Consumer Price Index: +$0.13B
- $716 decrease from project cashflow updates
  - 2020 year end spending
  - More precise project cashflow
$154M increase in infill Station cost estimates

**NE 130th Street Station ($64M estimate increase)**
Design progression from 30% to 60%, higher estimate mainly due to:
- Cost premium for construction around live rail operations
- Desired choices to improve rider experience

Similar cost pressures anticipated, and assumed on other infill stations:

**Graham Street Station ($12M estimate increase)**
**Boeing Access Road Station ($78M estimate increase)**
Key takeaways, Risks, and Management Considerations
Key Takeaways and Risks

1. Affordability gap narrowed from $11.5 to $7.9B. Program remains unaffordable without realignment.

2. Long-range financial projections remain uncertain:

   - Tax revenue forecast fluctuates with economic cycles.
   - Capital projects not in construction are at very early stage.
   - Purchased transportation cost growth consistently higher than the rate assumed in the ST2/3 plan. It could add $1B additional cost to the plan if cost growth not contained.
Key Considerations

• *Project scope discipline remains imperative.*

• *Contain purchased transportation cost growth to ensure long term affordability.*

• *Continue to pursue additional Federal, State and local funding and financing opportunities to increase financial capacity.*
Thank you.
$1.5B projected long term tax revenue loss

- **Tax revenue loss projection improved from Fall 2020 forecast of $6.1B, to $1.5B.**
- **Long term forecast still below pre-COVID levels, uncertainty remains.**

<table>
<thead>
<tr>
<th></th>
<th>2019 Pre-COVID Baseline (Fall 2019)</th>
<th>Initial COVID Revenue Update (Spring 2020)</th>
<th>Tax Revenue Only Update (Summer 2020)</th>
<th>2020 Annual Comprehensive Update (Fall 2020)</th>
<th>Comprehensive Update for Realignment (April 2021)</th>
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<tbody>
<tr>
<td><strong>2020 through 2041; YOE$ Billions</strong></td>
<td>Tax Revenues</td>
<td></td>
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<tr>
<td></td>
<td>$59.3</td>
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<tr>
<td><strong>(change from Pre-COVID forecast)</strong></td>
<td>-12.1</td>
<td>-7.4</td>
<td>-6.1</td>
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Major Changes in Plan Assumptions – Fall 2019 to April 2021
$11.5B Affordability Gap Forecast in January 2021
Financial Plan unaffordable under current forecasts

$7.9B in unfunded expenditures 2017-2041 (YOE$)

<table>
<thead>
<tr>
<th></th>
<th>2019 fall financial projections</th>
<th>Changes in projections (2017-2041)</th>
<th>2020 spring financial projections</th>
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<tbody>
<tr>
<td>Available sources</td>
<td>$97.9B</td>
<td>+ $5.8B</td>
<td>= $103.7B</td>
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<tr>
<td>Expenditures</td>
<td>$97.9B</td>
<td>+ $13.4B</td>
<td>= $111.6B</td>
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Unfunded expenditures: $7.9B